



®

DENNIS WILLIAMS, President



JULIE KUSHNER
DIRECTOR
REGION 9A UAW
111 SOUTH ROAD
FARMINGTON, CONNECTICUT 06032-2560
PHONE: (860) 674-0143
FAX: (860) 674-1164
PRINTED IN U.S.A.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

GARY CASTEEL, Secretary-Treasurer

**Appropriations Committee Budget Hearing
February 15, 2017
United Auto Workers Region 9A**

Senator Osten, Senator Formica, Representative Walker and members of the Appropriations Committee:

My name is Beverley Brakeman and I am the Political Representative for UAW Region 9A. I am here on behalf of more than 12,000 active and retired members of the UAW living in Connecticut. Our union proudly represents more than 2,000 graduate teaching and research assistants, UCONN Graduate Employee Union, UAW Local 6950, who will also testify this evening about the proposed cuts to the UCONN budget.

First, we want to thank all of you for your continued support of UCONN - Connecticut's flagship university. We know you understand how important UCONN is to the fabric of Connecticut's landscape, citizenry, youth, economy and quality of life. We also understand the extraordinary challenges facing this committee and this legislature in dealing with the state's budget deficit.

To that end, we urge you all to consider revenue and tax options that allow the state to maximize revenue and minimize budget cuts to essential state programs and services including UCONN and UCONN Health Center.

In January 2017, CT Voices for Children issued a publication *Revenue Options are Key to Addressing Budget Shortfalls and Supporting Thriving Communities*. I have included the summary page with my testimony.

To summarize, however, the report focuses on several possible options to modernize Connecticut's tax system, either by expanding its base or by closing business tax breaks. Some of the proposals include joining the regional compact to close the carried interest loophole, applying the sales tax to services, collecting a larger share of taxes due on internet sales, applying the sales tax to digital downloads, increasing personal income tax by a half a percentage point for top earners, and instituting a low wage employer fee, to name a few.¹

¹ Revenue Option are Key to Addressing Budget Shortfalls and Supporting Thriving Communities, Publication CT Voices for Children. *January 2017*

UConn is not only important to our union and our members at GEU UAW Local 6950, but it is vital to Connecticut's economy. Seventy-five percent of UConn's most recent grads from in-state are living and working in Connecticut; sixty-one percent of U.S. patents have been granted based on UConn innovations, with 31 issued last year alone; UConn was awarded nearly \$400M in external research funding in the last two years – research that UAW members have contributed to and helped to make successful and research that fuels Connecticut's economy.

We urge this committee to continue their commitment to UCONN, its faculty, students, employees and the families they support and to consider revenue and tax options that allow you to minimize cuts to the state's most precious institutions, programs and services.

Thank you.

BB/jl
opeiu494
Attachment

January 2017

Revenue Options are Key to Addressing Budget Shortfalls and Supporting Thriving Communities

Long term investments in children and families have been the cornerstone of the state's prosperity. To preserve these investments and support long term economic health, a balanced approach to the upcoming biennial budget must include new resources.

The report finds three challenges with the current revenue system:

1. **Income tax collections on corporate profits** in Connecticut have dropped from 13.2 percent of general fund revenues in 1991 to less than 4 percent of overall tax collections in 2015, mainly because of the growth of business tax credits and tax avoidance.
2. **Sales tax revenue decreased** from nearly a third (31.9 percent) of total general fund revenue to a quarter (25.2 percent) in 2015 as a result of a failure to keep laws up to date with an economy that consumes far more services than it did 40 years ago.
3. **The overall state and local tax yields an effective tax rate that is higher for low income than for wealthy taxpayers** - increasing wealth disparity in a state already ranked third in terms of income and wealth inequality.

This report offers a set of revenue options for the Governor and the Legislature can both balance the budget with increased revenue, new strategic investments, and smaller budget cuts, and position the state for a more prosperous future. The report focuses on several possible options to modernize Connecticut's tax system, either by expanding its base or by closing business tax breaks.

Apply sales tax to services	\$730 million to \$1.5 billion
Collect a larger share of taxes due on internet sales	\$65 to \$75 million
Apply the sales tax to digital downloads	\$7 to \$11 million
Increase personal income tax by a half a percentage point for top earners	\$217.3 million
Higher rates on dividends and capital gains	\$141.8 million
Repatriation of deferred management fees	To be determined
Join regional compact to close carried interest loophole	\$535 million
Improve enforcement of existing tax laws	\$40 million
Adopt throwback rule to eliminate "nowhere income"	\$12 to \$25 million
Eliminate the corporate income tax capital base system and replace with a value-added tax as an alternative minimum tax	To be determined
Renew efforts to regularly review business tax breaks	To be determined
Enact sweetened beverage tax	\$85 to \$141 million
Institute a low-wage employer fee	\$305 million